

• **Consolidated Financial Statements**  
• with Supplementary Information in Accordance with  
• Governmental Auditing Standards, the Uniform Guidance  
• and Other Matters

• **Southeast, Inc.**  
• **and Affiliates**

• June 30, 2019 and 2018



# CONTENTS

	Page
<b>Independent Auditor’s Report</b>	<b>3</b>
<b>Consolidated Financial Statements:</b>	
<b>Statements of Financial Position</b>	<b>6</b>
<b>Statements of Activities and Changes in Net Assets</b>	<b>7</b>
<b>Statements of Functional Expenses</b>	<b>8</b>
<b>Statements of Cash Flows</b>	<b>12</b>
<b>Notes to Consolidated Financial Statements</b>	<b>13</b>
<b>Supplementary Information:</b>	
<b>Consolidating Statement of Financial Position</b>	<b>33</b>
<b>Consolidating Statement of Activities and Changes in Net Assets</b>	<b>34</b>
<b>Schedule of Expenditures of Federal Awards</b>	<b>36</b>
<b>ADAMH Key Performance Indicators</b>	<b>38</b>
<b>Schedule of Ohio Development Services Agency</b>	<b>39</b>
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>41</b>
<b>Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance</b>	<b>43</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>45</b>



To the Board of Directors  
Southeast, Inc. and Affiliates  
Columbus, Ohio

## **Independent Auditor's Report**

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Southeast, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the fiscal years then ended and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southeast, Inc. and Affiliates as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters and Report on Supplemental Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities and changes in net assets as of and for the fiscal year ended June 30, 2019, and certain supplementary information required by the Franklin County Board of Alcohol, Drug Addiction and Mental Health Services, as well as for the Ohio Development Services Agency, is presented for purposes of additional analysis that is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of Southeast, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast, Inc. and Affiliates' internal control over financial reporting and compliance.

*GBQ Partners LLC*

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# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Financial Position

### June 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,856,493	\$ 3,679,684
Restricted cash	237,885	402,821
Investments	12,672,558	11,848,531
Accounts receivable, net of allowance for doubtful accounts	6,198,644	5,162,292
Inventory	737,544	480,579
Other current assets	144,017	66,404
Total current assets	21,847,141	21,640,311
<b>Property and Equipment, net</b>	8,130,848	5,742,226
<b>TOTAL ASSETS</b>	<b>\$ 29,977,989</b>	<b>\$ 27,382,537</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Long-term obligations, current maturities	\$ 313,916	\$ 303,598
Note payable - line of credit	800,000	-
Accounts payable	485,496	450,699
Amounts held in trust	237,885	402,821
Accrued payroll and related liabilities	2,533,267	2,345,625
Deferred revenue	752,171	434,020
Total current liabilities	5,122,735	3,936,763
<b>Long-Term Obligations, net of current portion</b>	3,631,742	1,869,600
Total liabilities	8,754,477	5,806,363
<b>Net Assets</b>		
Net assets without donor restrictions		
Undesignated	19,371,860	19,674,126
Designated by Board	1,812,540	1,837,655
Total net assets without donor restrictions	21,184,400	21,511,781
Net assets with donor restrictions	39,112	64,393
Total net assets	21,223,512	21,576,174
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 29,977,989</b>	<b>\$ 27,382,537</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Activities and Changes in Net Assets For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
<b>Changes in Net Assets without Donor Restrictions</b>		
Operating revenues and support:		
ADAMH purchase-of-service	\$ 8,978,340	\$ 7,720,246
ADAMH cost reimbursement	2,703,869	1,879,319
Medicaid	7,122,679	7,370,028
Medicaid match	3,490,188	3,951,477
Apothecare pharmacy	12,444,600	10,424,758
First and third party fees	896,200	448,910
Contracts	6,593,574	6,026,540
Other operating income	537,751	489,023
In-kind donations	446,949	434,026
Forgiveness of advances from OMHAS	61,855	61,733
Release of restrictions	58,845	70,847
Total operating revenues and support	<u>43,334,850</u>	<u>38,876,907</u>
Operating expenses:		
Clinical services	22,980,257	21,827,966
Housing	2,947,233	2,900,881
Vocational	4,615,612	4,343,674
Apothecare pharmacy	8,617,598	7,124,424
Prevention education	437,421	408,900
Homeless shelter programs	1,210,847	1,130,790
General and administrative	3,215,542	3,020,943
Total operating expenses	<u>44,024,510</u>	<u>40,757,578</u>
Change in net assets without donor restrictions from operations	<u>( 689,660)</u>	<u>( 1,880,671)</u>
Other income (expense):		
Interest and dividend income	312,346	283,388
Unrealized and realized gains on investments	343,531	351,660
Contributions	25,472	68,675
Rental income	62,223	60,433
Rental expenses	<u>( 381,293)</u>	<u>( 377,027)</u>
Total other income	<u>362,279</u>	<u>387,129</u>
<b>Change in Net Assets without Donor Restrictions</b>	<b>( 327,381)</b>	<b>( 1,493,542)</b>
<b>Net Assets without Donor Restrictions - Beginning of Year</b>	<b>21,511,781</b>	<b>23,005,323</b>
<b>Net Assets without Donor Restrictions - End of Year</b>	<b>\$ 21,184,400</b>	<b>\$ 21,511,781</b>
<b>Changes in Net Assets with Donor Restrictions</b>		
Special events, net	\$ 33,564	\$ 56,700
Release of restrictions	<u>( 58,845)</u>	<u>( 70,847)</u>
<b>Change in Net Assets with Donor Restrictions</b>	<b>( 25,281)</b>	<b>( 14,147)</b>
<b>Net Assets with Donor Restrictions - Beginning of Year</b>	<b>64,393</b>	<b>78,540</b>
<b>Net Assets with Donor Restrictions - End of Year</b>	<b>\$ 39,112</b>	<b>\$ 64,393</b>
<b>Summary of Changes in Net Assets</b>		
Net assets without donor restrictions	\$( 327,381)	\$( 1,493,542)
Net assets with donor restrictions	<u>( 25,281)</u>	<u>( 14,147)</u>
<b>Total Changes in Net Assets</b>	<b>\$( 352,662)</b>	<b>\$( 1,507,689)</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Functional Expenses

### For the Fiscal Year Ended June 30, 2019

	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs
Salaries and benefits	\$ 16,962,471	\$ 1,816,536	\$ 3,633,800	\$ 772,904	\$ 423,376	\$ 611,069
Contract services	935,098	-	60,406	325	-	36,213
Computer expenses	249,224	58,352	69,009	19,395	-	-
Operating supplies and expenses	901,700	646,494	78,607	46,952	-	28,257
Office expenses	597,412	157,649	482,516	16,108	5,379	97,356
Cost of goods sold - pharmacy	-	-	-	7,734,611	-	-
Mileage / transportation	534,791	44,150	58,600	10,945	4,663	4,461
Building and grounds	1,548,816	149,350	133,465	1,106	4,003	94,708
Interest	77,069	51,008	20,317	-	-	-
Insurance expense	342,563	23,694	31,270	-	-	3,028
In-kind expenses	195,110	-	-	-	-	251,839
	<u>22,344,254</u>	<u>2,947,233</u>	<u>4,567,990</u>	<u>8,602,346</u>	<u>437,421</u>	<u>1,126,931</u>
Depreciation and amortization	636,003	-	47,622	15,252	-	83,916
<b>Total</b>	<u><u>\$ 22,980,257</u></u>	<u><u>\$ 2,947,233</u></u>	<u><u>\$ 4,615,612</u></u>	<u><u>\$ 8,617,598</u></u>	<u><u>\$ 437,421</u></u>	<u><u>\$ 1,210,847</u></u>

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Functional Expenses (continued)

### For the Fiscal Year Ended June 30, 2019

	Total Program	General and Administrative	Total Operating Expenses	Rental Operations	Total Expenses
Salaries and benefits	\$ 24,220,156	\$ 2,432,306	\$ 26,652,462	\$ -	\$ 26,652,462
Contract services	1,032,042	329,700	1,361,742	-	1,361,742
Computer expenses	395,980	47,431	443,411	-	443,411
Operating supplies and expenses	1,702,010	35,818	1,737,828	-	1,737,828
Office expenses	1,356,420	86,789	1,443,209	-	1,443,209
Cost of goods sold - pharmacy	7,734,611	-	7,734,611	-	7,734,611
Mileage / transportation	657,610	41,600	699,210	-	699,210
Building and grounds	1,931,448	-	1,931,448	335,936	2,267,384
Interest	148,394	36	148,430	-	148,430
Insurance expense	400,555	233,287	633,842	45,357	679,199
In-kind expenses	446,949	-	446,949	-	446,949
	<b>40,026,175</b>	<b>3,206,967</b>	<b>43,233,142</b>	<b>381,293</b>	<b>43,614,435</b>
Depreciation and amortization	782,793	8,575	791,368	-	791,368
<b>Total</b>	<b>\$ 40,808,968</b>	<b>\$ 3,215,542</b>	<b>\$ 44,024,510</b>	<b>\$ 381,293</b>	<b>\$ 44,405,803</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Functional Expenses

### For the Fiscal Year Ended June 30, 2018

	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs
Salaries and benefits	\$ 15,786,349	\$ 1,690,532	\$ 3,381,384	\$ 719,311	\$ 394,035	\$ 568,438
Contract services	916,778	-	68,464	368	-	41,044
Computer expenses	212,021	49,640	58,706	16,499	-	-
Operating supplies and expenses	934,221	755,691	91,884	54,882	-	33,030
Office expenses	631,086	150,285	459,977	15,356	5,128	92,808
Cost of goods sold - pharmacy	-	-	-	6,290,709	-	-
Mileage / transportation	647,372	53,444	70,936	13,249	5,645	5,400
Building and grounds	1,583,346	152,663	136,425	1,131	4,092	96,809
Interest	46,920	31,053	12,369	-	-	-
Insurance expense	317,088	17,573	23,192	-	-	2,246
In-kind expenses	189,476	-	-	-	-	244,550
	<u>21,264,657</u>	<u>2,900,881</u>	<u>4,303,337</u>	<u>7,111,505</u>	<u>408,900</u>	<u>1,084,325</u>
Depreciation and amortization	563,309	-	40,337	12,919	-	46,465
<b>Total</b>	<u><u>\$ 21,827,966</u></u>	<u><u>\$ 2,900,881</u></u>	<u><u>\$ 4,343,674</u></u>	<u><u>\$ 7,124,424</u></u>	<u><u>\$ 408,900</u></u>	<u><u>\$ 1,130,790</u></u>

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Functional Expenses (continued)

### For the Fiscal Year Ended June 30, 2018

	Total Program	General and Administrative	Total Operating Expenses	Rental Operations	Total Expenses
Salaries and benefits	\$ 22,540,049	\$ 2,263,632	\$ 24,803,681	\$ -	\$ 24,803,681
Contract services	1,026,654	373,682	1,400,336	-	1,400,336
Computer expenses	336,866	40,350	377,216	-	377,216
Operating supplies and expenses	1,869,708	41,868	1,911,576	-	1,911,576
Office expenses	1,354,640	28,726	1,383,366	-	1,383,366
Cost of goods sold - pharmacy	6,290,709	-	6,290,709	-	6,290,709
Mileage / transportation	796,046	50,357	846,403	-	846,403
Building and grounds	1,974,466	-	1,974,466	343,387	2,317,853
Interest	90,342	22	90,364	-	90,364
Insurance expense	360,099	215,043	575,142	33,640	608,782
In-kind expenses	434,026	-	434,026	-	434,026
	<u>37,073,605</u>	<u>3,013,680</u>	<u>40,087,285</u>	<u>377,027</u>	<u>40,464,312</u>
Depreciation and amortization	663,030	7,263	670,293	-	670,293
<b>Total</b>	<u><u>\$ 37,736,635</u></u>	<u><u>\$ 3,020,943</u></u>	<u><u>\$ 40,757,578</u></u>	<u><u>\$ 377,027</u></u>	<u><u>\$ 41,134,605</u></u>

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Cash Flows

### For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$( 352,662)	\$( 1,507,689)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	791,368	670,293
Change in allowance for doubtful accounts	1,007,624	-
Unrealized and realized gains on investments	( 343,531)	( 351,660)
Forgiveness of advances from OMHAS	( 61,855)	( 61,733)
(Increase) decrease in operating assets:		
Accounts receivable, net	( 2,043,976)	( 1,078,454)
Inventory	( 256,965)	6,785
Other current assets	( 77,613)	31,988
Increase (decrease) in operating liabilities:		
Accounts payable	34,797	( 133,410)
Accrued payroll and related liabilities	187,642	( 92,529)
Deferred revenue	318,151	( 30,581)
Total adjustments	( 444,358)	( 1,039,301)
Net cash and cash equivalents used in operating activities	( 797,020)	( 2,546,990)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	( 480,496)	( 329,756)
Purchases of property and equipment	( 1,139,990)	( 698,930)
Net cash and cash equivalents used in investing activities	( 1,620,486)	( 1,028,686)
<b>Cash Flows from Financing Activities</b>		
Net borrowings under note payable - line of credit	800,000	-
Principal payments on notes payable	( 81,256)	( 49,467)
Principal payments on capital leases obligations	( 124,429)	( 120,189)
Net cash and cash equivalents provided by (used in) financing activities	594,315	( 169,656)
<b>Net Decrease in Cash and Cash Equivalents</b>	( 1,823,191)	( 3,745,332)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>3,679,684</b>	<b>7,425,016</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,856,493</b>	<b>\$ 3,679,684</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 148,430	\$ 90,364
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Acquisitions of fixed assets through financing	\$ 2,040,000	\$ -

*The accompanying notes are an integral part of the consolidated financial statements.*

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Nature and Scope of Activities

Southeast, Inc. and Affiliates (the Organization) are non-profit Ohio corporations organized to develop and administer a comprehensive integrated healthcare recovery service system, to provide services to homeless persons throughout Ohio, to provide housing to lower-income, mentally disabled individuals and provide vocational services to individuals overcoming mental, emotional and other challenges. Services and programming are provided primarily in Central and Eastern Ohio locations. Affiliates include Alternative Lifestyles, Inc. (ALS), which owns two facilities and provides housing for the low-income community, and Friends of the Homeless, Inc. (FOH), which operates emergency shelter and other residential facilities.

In both fiscal years 2018 and 2019, Southeast, Inc. (Southeast) renewed its accreditations with the Ohio Mental Health and Addiction Services Board. The accreditations are one way Southeast shows its commitment to the quality improvement of its services to the community.

Southeast also operates two pharmacies (Apothecare) located in the Southeast-owned buildings in Columbus and St. Clairsville, Ohio. Southeast operates Apothecare as a specialty pharmacy to serve people with primary care needs, cognitive and/or other mental dysfunctions.

#### Summary of Significant Accounting Policies

##### Principles of Consolidation

The consolidated statements include the financial positions and results of operations of Southeast, FOH and ALS corporations. Intercompany transactions and balances were eliminated upon consolidation.

##### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support and revenue and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

##### Consolidated Financial Statement Presentation

The Organization reports information regarding its consolidated financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Summary of Significant Accounting Policies (continued)

##### Consolidated Financial Statement Presentation (continued)

- Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

##### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all cash on hand, demand deposits and highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude money market funds held in an investment portfolio that are reported as investments.

##### Investments

Investments are carried at their fair values. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets. Investment expenses, such as custodial, commission, and investment advisory fees, are included in the general and administrative expenses of the consolidated statements of activities.

Investments are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in the values of investments may occur in the near term, which could be material.

##### Accounts Receivable and Revenues

###### *Exchange Transactions*

The Organization's revenue is generally derived from federal, state, county and local sources. Generally, accounts receivable and revenue are recorded in the month the related services are provided at estimated realizable values. The Organization provides services to certain consumers covered by various third-party payor arrangements that provide payments at amounts different than established billing rates. Accordingly, in most cases, accounts receivable and revenue are adjusted for contractual allowances based on third-party established rates. In certain cases, accounts receivable and revenue are recorded on the basis of preliminary estimates of the amounts to be received from third-party payors. Final adjustments are made in the period such amounts are finally determined.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Summary of Significant Accounting Policies (continued)

##### Accounts Receivable and Revenues (continued)

###### Exchange Transactions (continued)

The Organization is in contracts with the Franklin County, Delaware County, and the Belmont, Harrison, and Monroe Counties (BHM) Alcohol, Drug Addiction and Mental Health Services Boards (ADAMH), whereby it receives funds based on billable units of mental health, alcohol and substance abuse counseling and other related services and programs provided. The Organization also receives various block grants that are passed through these Boards. The Organization receives Medicaid funds both directly and indirectly from the Ohio Department of Job and Family Services (ODJFS) and the Ohio Department of Mental Health and Addiction Services (OMHAS). The Organization also receives grant funding from the Ohio Development Services Agency (ODSA) used in providing services to homeless persons. Billing or requests for reimbursement are submitted generally on a monthly-basis subsequent to the month in which service was provided. Delayed collection of accounts receivable from such agencies are considered past due; however, no interest can be charged to the agencies.

###### Contributions

Certain other grants and donations are classified as contributions. Unconditional contributions are recognized as revenue upon notification of approval of the grant or contribution. Conditional contributions are recognized as revenue when the contingent condition is substantially eliminated.

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

###### Allowance for Doubtful Accounts

Management determines an allowance for doubtful accounts based on historical activity with funding sources, consumers and donors, as well as current economic conditions. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to not be collectible, they are written-off.

GAAP requires healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered, even though they do not assess the patient's ability to pay, to present the provision for bad debts related to those revenues as a deduction from patient service revenue (net of contractual allowances and discounts), as opposed to an operating expense.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

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#### Summary of Significant Accounting Policies (continued)

##### Charity Care

Management does not provide charity care from the standpoint of not expecting any payment for services provided.

##### Inventory

Inventory consists of pharmaceutical medications and is recorded at the lower of cost or net realizable value using the first-in, first-out inventory accounting method.

##### Property and Equipment

Property and equipment are recorded at purchased cost less accumulated depreciation and amortization. Donated property and equipment are recorded at fair value at the date of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets with a pro-rata partial year of depreciation being recorded in the year of acquisition. The Organization does not assign time restrictions on the use of donated property and equipment unless a donor stipulates how long a contributed asset must be used for a specific purpose.

The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. Upon disposal of assets, the cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is included in income.

Depreciation and amortization are provided over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 39 years
Equipment	3 - 5 years
Furniture	5 - 7 years
Software	3 years
Vehicles	5 years
Leased office equipment	3 - 5 years
Leasehold improvements	3 years

##### Impairment of Assets

The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management determined that no impairment existed for the fiscal years ended June 30, 2019 or 2018.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018



#### Summary of Significant Accounting Policies (continued)

##### Amounts Held in Trust

The Organization maintains three custodial bank accounts held on behalf of clients who are unable to manage their own funds. The corresponding funds are included in restricted cash and the liabilities are included in amounts held in trust on the consolidated statements of financial position.

##### Donated Services

Donated services are recognized as contributions only if the services create or enhance non-financial assets or require specialized skills, or are performed by people with those skills and would otherwise be purchased. For the fiscal years ended June 30, 2019 and 2018, there were no donated services identified that met this criteria. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist with the homeless shelter program fundraising events and other initiatives.

##### Donated Materials

The Organization receives donated food, paper goods and other supplies for use by individuals receiving services in the homeless shelter programs. The value of donated materials is estimated based on a historical cost estimate (\$6 per individual per day) multiplied by the number of individuals served during the year. The value of the donated materials is recorded as in-kind revenue and in-kind expense.

##### Functional Expenses Allocation

Indirect expenses are generally allocated to the various program services based on full-time equivalents assigned to the programs.

##### Income Taxes

Each of the corporations is a separate tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management represents that the Organization had no unrelated business income during the fiscal years ended June 30, 2019 and 2018. Accordingly, no provisions for federal, state or local taxes are included in the consolidated financial statements.

The Organization performs an annual assessment for any uncertainty in income tax positions, which includes an analysis of whether there are any tax positions the Organization takes with regard to unrelated business income, related deductions applied, or other activities that may jeopardize their tax exempt status and thus would meet the definition of an uncertain tax position. No tax liability accrual was recorded relating to material uncertain positions taken as management believes there are none.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Summary of Significant Accounting Policies (continued)

##### Fair Value Measurements

GAAP established a fair value hierarchy that prioritizes the inputs to measure the fair value of the assets or liabilities being measured. Fair value is defined as the exchange value that would be received on the measurement date to sell an asset or to value the amount paid to transfer a liability in the principal or most advantageous market available to the Organization in an orderly transaction between market participants. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.
- Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

##### New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, to improve the presentation of financial statements of not-for-profit entities. The ASU became effective during fiscal year 2019 for the Organization addresses the following key qualitative and quantitative matters:

- Net assets classes
- Investment return
- Expenses
- Liquidity and availability of resources
- Presentation of operating cash flows

The Organization adopted this ASU as of and for the fiscal year ended June 30, 2019, with retrospective application to the June 30, 2018 consolidated financial statements. Pursuant to provisions of the ASU, the Organization elected not to present disclosures around liquidity and availability of resources as of and for the fiscal year ended June 30, 2018. There was no effect on the change in net assets for the fiscal year ended June 30, 2018 as a result of this adoption.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Summary of Significant Accounting Policies (continued)

##### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the accounting principles for recognizing contract revenue between a vendor and a customer for the provision of goods and services. The update is effective for annual periods beginning after December 15, 2018. Management is in the process of determining the effect of this change on its accounting and disclosure of revenue.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 was issued in order to clarify the accounting guidance surrounding contributions received and contributions made. The update assists entities in their evaluation of whether transactions should be accounted for as contributions or exchange transactions, and determining whether a contribution is conditional. The update is effective for the Organization for annual periods beginning after December 15, 2018. Management is in the process of determining the effect of the pronouncement on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which enhances transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The guidance includes a new definition of a lease, which will be classified as either a finance lease or operating lease. Other changes include certain aspects of lessee accounting, lessor accounting, leveraged leases, sale and leaseback transactions and required disclosures. The guidance is effective for non-public business entities for fiscal years beginning after December 15, 2020. Management is in the process of determining the effect of the pronouncement on the consolidated financial statements.

##### **Cash and Cash Equivalents**

Cash and cash equivalents are held in 21 accounts with three different financial institutions. Balances in these accounts may periodically exceed federally insured limits.

##### **Investments**

Following is a description of the valuation methodologies used for investments measured at fair value.

<i>Money Market Funds:</i>	Valued at the net asset value of shares held by the Organization at fiscal year-end.
<i>Mutual Funds:</i>	Valued at the net asset value of shares held by the Organization at fiscal year-end.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Investments (continued)

*Fixed Income Funds:* Includes asset backed securities and corporate bonds valued based on prices provided by independent pricing services. Such prices may be determined by taking into account benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2019 and 2018.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Total
<i>Money Market Funds</i>	\$ 298,977	\$ -	\$ -	\$ 298,977
<i>Mutual Funds:</i>				
Growth funds	1,279,439	-	-	1,279,439
Blend funds	1,213,817	-	-	1,213,817
Value funds	1,019,644	-	-	1,019,644
Bond funds	2,694,749	-	-	2,694,749
Allocation funds	2,960,384	-	-	2,960,384
Stock funds	501,039	-	-	501,039
Emerging markets funds	78,677	-	-	78,677
<i>Fixed Income Funds:</i>				
Asset backed securities	-	2,625,832	-	2,625,832
<b>Total assets at fair value</b>	<b>\$ 10,046,726</b>	<b>\$ 2,625,832</b>	<b>\$ -</b>	<b>\$ 12,672,558</b>

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Investments (continued)

2018	Level 1	Level 2	Level 3	Total
<i>Money Market Funds</i>	\$ 400,394	\$ -	\$ -	\$ 400,394
<i>Mutual Funds:</i>				
Growth funds	1,218,514	-	-	1,218,514
Blend funds	1,160,117	-	-	1,160,117
Value funds	739,770	-	-	739,770
Bond funds	2,537,514	-	-	2,537,514
Allocation funds	2,787,417	-	-	2,787,417
Stock funds	485,842	-	-	485,842
Emerging markets funds	73,929	-	-	73,929
<i>Fixed Income Funds:</i>				
Asset backed securities	-	2,445,034	-	2,445,034
<b>Total assets at fair value</b>	<b>\$ 9,403,497</b>	<b>\$ 2,445,034</b>	<b>\$ -</b>	<b>\$ 11,848,531</b>

Accumulated unrealized gains on investments were approximately \$1,696,000 and \$1,553,000 as of June 30, 2019 and 2018, respectively.

Money market funds are not federally insured. Certificates of deposit are federally-insured up to \$250,000 per certificate of deposit. Amounts in certificates of deposits did not exceed federally insured limits as of June 30, 2019.

#### Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2019	2018
Franklin County ADAMH Board	\$ 2,068,909	\$ 1,347,970
Delaware County ADAMH Board	608,867	187,567
BHM Counties ADAMH Board	398,418	241,643
Pharmacy - multiple sources	776,785	635,945
Other grants and contracts	830,207	548,161
OMHAS out of county	2,454,587	2,277,447
ODSA	234,364	140,444
Employees	13,340	11,863
Other	201,878	152,339
	<b>7,587,355</b>	<b>5,543,379</b>
Less allowance for uncollectible accounts	<b>( 1,388,711)</b>	<b>( 381,087)</b>
<b>Total</b>	<b>\$ 6,198,644</b>	<b>\$ 5,162,292</b>

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Property and Equipment

Property and equipment consisted of the following at June 30:

	2019	2018
Land	\$ 555,878	\$ 555,878
Buildings and improvements	13,559,413	10,551,781
Equipment	1,790,513	1,679,242
Furniture	233,720	232,550
Software	1,179,760	1,137,887
Vehicles	534,921	516,878
Leased office equipment	602,721	602,721
Leasehold improvements	174,753	174,753
Artwork	75,847	75,847
	<b>18,707,526</b>	15,527,537
Less: accumulated depreciation and amortization	<b>( 10,576,678)</b>	<b>( 9,785,311)</b>
<b>Total</b>	<b>\$ 8,130,848</b>	<b>\$ 5,742,226</b>

#### Note Payable – Line of Credit

The Organization has a revolving line of credit agreement with a bank that provides for borrowings of up to \$3,000,000. Interest is charged on any outstanding balance at the LIBO rate plus 3.00% (5.43% and 4.87% as of June 30, 2019 and 2018, respectively). The line of credit is secured by all assets of the Organization. The line of credit agreement matures on April 8, 2020. As of June 30, 2019, the balance of the line of credit was \$800,000. There was no amount outstanding as of June 30, 2018.

#### Long-Term Obligations

Notes payable consisted of the following as of June 30:

	2019	2018
Mortgage note payable to a commercial bank in monthly installments of \$4,277, with total final payment of outstanding principal and accrued interest due in August 2024. The note bears interest at 4.99% and is secured by real estate owned by Southeast.	\$ 539,814	\$ 563,177
Mortgage note payable to a commercial bank in monthly principal and interest installments of approximately \$17,000, with total final payment of outstanding principal and accrued interest due in December 2028. The note bears interest at LIBO plus 2.27% (4.67% at June 30, 2019) and is secured by the mortgaged property.	2,010,720	-

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### Long-Term Obligations (continued)

	2019	2018
Mortgage note payable to a commercial bank in monthly installments of \$175 through April 2024. The note bears interest at 7.75% and is secured by real estate owned by FOH.	7,006	8,497
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	10,000	10,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	15,000	15,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	10,000	10,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH with a net book value of approximately \$356,000 at June 30, 2019.	136,000	136,000
Mortgage note payable to the OMHAS to be forgiven in monthly amounts through May 2026, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately \$185,000 at June 30, 2019.	43,482	49,770

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### Long-Term Obligations (continued)

	2019	2018
Mortgage note payable to the OMHAS to be forgiven in monthly amounts through April 2020, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately \$141,000 at June 30, 2019.	<b>5,307</b>	11,788
Mortgage note payable to the OMHAS to be forgiven in monthly amounts through September 2032, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately \$149,000 at June 30, 2019.	<b>88,676</b>	95,411
Mortgage note payable to the OHMS to be forgiven in 480 equal monthly amounts through August 2030, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately \$639,000 at June 30, 2019.	<b>346,509</b>	377,759
Mortgage note payable to the OMHAS. During 2010, Southeast sold the land secured by the note, but has not yet repaid the remaining amount not forgiven as of the date of the sale. The note was interest free and was secured by real estate owned by Southeast.	<b>63,244</b>	63,244
Mortgage note payable to the OMHAS to be forgiven in monthly amounts through December 2040, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately \$1,172,000 at June 30, 2019.	<b>249,824</b>	260,926

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Long-Term Obligations (continued)

	2019	2018
Mortgage note payable to the United States Department of Housing and Urban Development in installments of \$2,579 through March 2028. The note bears interest at 9.25% and is secured by real estate owned by ALS with a net book value of approximately \$106,000 at 30-Jun-19	185,201	198,350
Mortgage note payable to the United States Department of Housing and Urban Development in monthly installments of \$1,742 through April 2023. The note bears interest at 9.25% and is secured by real estate owned by ALS with a net book value of approximately \$93,000 at June 30, 2019.	67,223	81,196
Total	3,778,006	1,881,118
Less: current portion	( 240,247)	( 176,011)
<b>Long-term portion</b>	<b>\$ 3,537,759</b>	<b>\$ 1,705,107</b>

The aggregate maturities of long-term debt through maturity as of June 30, 2019, are as follows:

Fiscal Year Ended	
2020	\$ 240,247
2021	179,203
2022	186,868
2023	191,383
2024	185,223
Thereafter	2,795,082
<b>Total notes payable future payments</b>	<b>\$ 3,778,006</b>

The Organization leases office equipment under capital leases expiring at various times through 2022. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated useful lives. Amortization of assets held under capital leases is included in depreciation and amortization expense.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Long-Term Obligations (continued)

Following is a summary of office equipment held under the capital leases at June 30:

	2019	2018
Office equipment	\$ 602,721	\$ 602,721
Less: accumulated amortization	( 454,784)	( 334,240)
<b>Office equipment, net</b>	<b>\$ 147,937</b>	<b>\$ 268,481</b>

Future minimum lease payments required under the lease agreements at June 30, 2019 are as follows:

Fiscal Year Ended	
2020	\$ 86,212
2021	54,216
2020	49,698
Total minimum lease payments	190,126
Less: amount representing interest	( 22,474)
<b>Present value of minimum lease payments</b>	<b>\$ 167,652</b>

At June 30, 2019, the present value of minimum lease payments due within one year is \$73,669.

#### Operating Lease Obligations

The Organization leases office space under operating leases expiring through 2020. Office lease expense was approximately \$37,000 and \$33,000 for the fiscal years ended June 30, 2019 and 2018, respectively.

In addition, the Organization leases four parcels of land at its 131 North High Street location. These leases have ninety-nine-year lease terms and are renewable into perpetuity. Land lease expense associated with these leases was approximately \$50,000 for each of the fiscal years ended June 30, 2019 and 2018.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Operating Lease Obligations (continued)

Approximate minimum future lease obligations under non-cancelable operating leases for office space, land and equipment with terms in excess of one year as of June 30, 2019, were as follows:

Fiscal Year Ended	
2020	\$ 133,000
2021	50,000
2022	50,000
2023	50,000
2024	50,000
<b>Total</b>	<b>\$ 333,000</b>

#### Rental Income

One of the buildings that the Organization owns is a 66,000 square foot building located at 131 North High Street in Columbus, Ohio. Southeast occupies approximately 80% of this building, and the remainder is leased to unrelated parties or is available for lease.

#### Net Assets

##### Net Assets Without Donor Restrictions - Board Designated

The Board of Directors designated certain net assets to be used for employee scholarships and risk management. The Scholarship Fund represents resources that are to be used for scholarships to employees taking accredited courses directly applicable to their professional employment or development plans at the Organization. The Scholarship Fund balance at June 30, 2019 and 2018 was \$279,367 and \$304,482, respectively. The Risk Management Fund represents resources that are reserved to manage the risk associated with providing services funded by multiple revenue streams, which may prove to be inadequate to cover the cost associated with uncompensated care. In addition, funds are set aside to allow for successful transitions to newly mandated funding mechanisms. The Risk Management Fund balance at both June 30, 2019 and 2018 was \$1,533,173. Board designated net assets are held primarily in investments and cash and cash equivalents.

##### Net Assets with Donor Restrictions

Net assets with donor restrictions represent pledges from donors for specific use, and are primarily comprised of net assets designated to support the Fresh A.I.R. Gallery. Net assets with donor restrictions are held in cash and cash equivalents. Amounts are released for operating expenses of the gallery and expenses incurred with the annual fundraising event to benefit the gallery.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,856,493
Investments	12,672,558
Accounts receivable, net	6,198,644
Total financial assets available within one year	<u>20,727,695</u>
Less:	
Amounts unavailable for general expenditures, due to:	
Restricted by donors with purpose restrictions	39,112
<b>Total financial assets available within one year</b>	<b><u>\$ 20,688,583</u></b>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$3,000,000, which it could draw upon. Additionally, the Organization has Board Designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

#### Retirement Plan

The Organization has a 401(k) defined contribution retirement plan for substantially all employees. The Organization contributes a safe harbor matching contribution equal to 100% up to the first 3%, and 50% of the next 2% of compensation contributed by the employee. The Organization may also make additional discretionary contributions. Retirement plan expenses included in the consolidated statements of activities were approximately \$396,000 and \$345,000 for the fiscal years ended June 30, 2019 and 2018, respectively.

Southeast has a 457(b) top hat plan to provide deferred compensation payments for a select group within management. Southeast did not make any contributions to this plan for the fiscal years ended June 30, 2019 and 2018.

FOH maintained a 401(k) defined contribution retirement plan which allowed full-time employees that had one year of service and who were at least 21 years old to participate. Due to the acquisition of FOH by Southeast, all FOH employees became Southeast employees, effectively freezing the plan. Management is assessing the possibility of terminating the plan.

#### Governmental Funding

##### Medicaid Reimbursement

The Organization is required to file an annual cost report with ADAMH that documents actual costs of services rendered on a per-unit cost basis.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

#### Governmental Funding (continued)

##### Medicaid Reimbursement (continued)

Management estimates that there are no material amounts due for any other open cost report periods. The actual amount of the liability may change upon finalization of the cost reports.

The Organization is also subject to annual Medicaid compliance audits by ODJFS and OMHAS. These audits consist of reviewing claim files for documentation sufficiency. Any findings may result in amounts due to the program. No such compliance audits were conducted during 2019. As of June 30, 2019 and 2018, management estimated that no amounts were due to the Medicaid program relating to any open compliance audit periods.

##### Laws and Regulations

Laws and regulations governing the Medicaid, Medicare and other governmental funding programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing which have not been accrued. During 2014, the Organization discovered past billings for services without required individual service plans (ISPs). Upon discovery, the Organization commenced discussions with the State regarding self-disclosure of the issue and potential penalties and fines to be paid by the Organization. Based on meetings with the State and advice by legal counsel, the Organization has accrued approximately \$273,000 in current liabilities, which is the amount management believes represents the balance owed to the State for failure to maintain adequate client records. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the programs.

##### Concentration Risk

The Organization has contracts with the various county ADAMH boards referred to above through which it receives direct support based on units of mental health as well as other services and programs provided. The Organization also receives Medicaid funding through the OMHAS for services and programs provided. Revenues funded through Franklin County ADAMH represent approximately 24% and 21% of the Organization's total operating revenues and support for 2019 and 2018, respectively. Revenues funded by the OMHAS represent approximately 23% of the Organization's total operating revenues and support for 2018. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the Organization's programs and activities.

The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, ADAMH, OMHAS and ODJFS. Such administrative directives, rules, regulations and budgetary funding levels are subject to change by an act of Congress, the passage of laws by the Ohio General Assembly or an administrative change mandated by one of the executive branch agencies. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with a change.

# SOUTHEAST, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018



#### **Health Services Professional Insurance**

The Organization provides healthcare delivery services that are subject to potential professional liability claims. The Organization has insurance coverage applicable to such claims, should they arise. Insurance covers up to \$5,000,000 per incident with a maximum aggregate coverage of \$7,000,000 within the premium contract years for both 2019 and 2018.

#### **Subsequent Events – Date of Management Evaluation**

Management has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

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**SUPPLEMENTARY INFORMATION**

# SOUTHEAST, INC. AND AFFILIATES

## Consolidating Statement of Financial Position

### June 30, 2019

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidated Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 1,495,966	\$ 150,820	\$ 209,707	\$ -	\$ 1,856,493
Restricted cash	233,297	-	4,588	-	237,885
Investments	12,672,558	-	-	-	12,672,558
Accounts receivable, net of allowance for uncollectible accounts	6,198,644	-	-	-	6,198,644
Related party receivables	78,562	326,318	-	( 404,880)	-
Inventory	737,544	-	-	-	737,544
Other current assets	144,017	-	-	-	144,017
Total current assets	<u>21,560,588</u>	<u>477,138</u>	<u>214,295</u>	<u>( 404,880)</u>	<u>21,847,141</u>
<b>Property and Equipment, net</b>	<u>7,804,718</u>	<u>26,519</u>	<u>299,611</u>	<u>-</u>	<u>8,130,848</u>
<b>TOTAL ASSETS</b>	<u>\$ 29,365,306</u>	<u>\$ 503,657</u>	<u>\$ 513,906</u>	<u>\$ ( 404,880)</u>	<u>\$ 29,977,989</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Long-term obligations, current maturities	\$ 284,170	\$ -	\$ 29,746	\$ -	\$ 313,916
Note payable - line of credit	800,000	-	-	-	800,000
Accounts payable	485,496	-	-	-	485,496
Related party payables	-	-	404,880	( 404,880)	-
Amounts held in trust	233,297	-	4,588	-	237,885
Accrued payroll and related liabilities	2,533,267	-	-	-	2,533,267
Deferred revenue	752,171	-	-	-	752,171
Total current liabilities	<u>5,088,401</u>	<u>-</u>	<u>439,214</u>	<u>( 404,880)</u>	<u>5,122,735</u>
<b>Long-Term Obligations, net of current portion</b>	<u>3,220,009</u>	<u>189,055</u>	<u>222,678</u>	<u>-</u>	<u>3,631,742</u>
Total liabilities	<u>8,308,410</u>	<u>189,055</u>	<u>661,892</u>	<u>( 404,880)</u>	<u>8,754,477</u>
<b>Net Assets (Deficit in Net Assets)</b>					
Net assets without donor restrictions	21,017,784	314,602	( 147,986)	-	21,184,400
Net assets with donor restrictions	39,112	-	-	-	39,112
Total net assets (deficit in net assets)	<u>21,056,896</u>	<u>314,602</u>	<u>( 147,986)</u>	<u>-</u>	<u>21,223,512</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 29,365,306</u>	<u>\$ 503,657</u>	<u>\$ 513,906</u>	<u>\$ ( 404,880)</u>	<u>\$ 29,977,989</u>

*See Independent Auditor's Report.*

# SOUTHEAST, INC. AND AFFILIATES

## Consolidating Statement of Activities and Changes in Net Assets For the Fiscal Year Ended June 30, 2019

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidated Total
<b>Changes in Net Assets without Donor Restrictions</b>					
Operating revenues and support:					
ADAMH purchase-of-service	\$ 8,978,340	\$ -	\$ -	\$ -	\$ 8,978,340
ADAMH cost reimbursement	2,703,869	-	-	-	2,703,869
Medicaid	7,122,679	-	-	-	7,122,679
Medicaid match	3,490,188	-	-	-	3,490,188
Apothecare pharmacy	12,444,600	-	-	-	12,444,600
First and third party fees	896,200	-	-	-	896,200
Contracts	6,592,651	923	-	-	6,593,574
Other operating income	400,753	-	136,998	-	537,751
In-kind donations	202,399	244,550	-	-	446,949
Forgiveness of advances from OMHAS	61,855	-	-	-	61,855
Release of restrictions	58,845	-	-	-	58,845
Total operating revenues and support	<u>42,952,379</u>	<u>245,473</u>	<u>136,998</u>	<u>-</u>	<u>43,334,850</u>
Operating expenses:					
Clinical services	22,980,257	-	-	-	22,980,257
Housing	2,804,972	( 116)	142,377	-	2,947,233
Vocational	4,615,612	-	-	-	4,615,612
Apothecare pharmacy	8,617,598	-	-	-	8,617,598
Prevention education	437,421	-	-	-	437,421
Homeless shelter programs	966,836	244,011	-	-	1,210,847
General and administrative	3,215,542	-	-	-	3,215,542
Total operating expenses	<u>43,638,238</u>	<u>243,895</u>	<u>142,377</u>	<u>-</u>	<u>44,024,510</u>
Change in net assets without donor restrictions from operations	<u>( 685,859)</u>	<u>1,578</u>	<u>( 5,379)</u>	<u>-</u>	<u>( 689,660)</u>
Other income (expense):					
Interest and dividend income	312,325	-	21	-	312,346
Unrealized and realized gains on investments	343,531	-	-	-	343,531
Contributions	18,149	7,323	-	-	25,472
Rental income	62,223	-	-	-	62,223
Rental expenses	( 381,293)	-	-	-	( 381,293)
Total other income	<u>354,935</u>	<u>7,323</u>	<u>21</u>	<u>-</u>	<u>362,279</u>
<b>Change in Net Assets without Donor Restrictions</b>	<u>( 330,924)</u>	<u>8,901</u>	<u>( 5,358)</u>	<u>-</u>	<u>( 327,381)</u>
<b>Net Assets without Donor Restrictions - Beginning of Year</b>	<u>21,348,708</u>	<u>305,700</u>	<u>( 142,627)</u>	<u>-</u>	<u>21,511,781</u>
<b>Net Assets without Donor Restrictions - End of Year</b>	<u>\$ 21,017,784</u>	<u>\$ 314,601</u>	<u>\$ ( 147,985)</u>	<u>\$ -</u>	<u>\$ 21,184,400</u>
<b>Changes in Net Assets with Donor Restrictions</b>					
Special events, net	\$ 33,564	\$ -	\$ -	\$ -	\$ 33,564
Release of restrictions	( 58,845)	-	-	-	( 58,845)
<b>Change in Net Assets with Donor Restrictions</b>	<u>( 25,281)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 25,281)</u>
<b>Net Assets with Donor Restrictions - Beginning of Year</b>	<u>64,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,393</u>
<b>Net Assets with Donor Restrictions - End of Year</b>	<u>\$ 39,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,112</u>
<b>Summary of Changes in Net Assets</b>					
Net assets without donor restrictions	\$( 330,924)	\$ 8,901	\$( 5,358)	\$ -	\$( 327,381)
Net assets with donor restrictions	( 25,281)	-	-	-	( 25,281)
<b>Total Changes in Net Assets</b>	<u>\$( 356,205)</u>	<u>\$ 8,901</u>	<u>\$( 5,358)</u>	<u>\$ -</u>	<u>\$( 352,662)</u>

*See Independent Auditor's Report.*

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# SOUTHEAST, INC. AND AFFILIATES

## Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through To Subrecipients
U.S. Department of Health and Human Services: Health Resources and Services Administration (HRSA): Direct: Health Center Cluster	93.224	N/A	\$ 3,087,652	\$ -
Passed through the Ohio Department of Health: Ryan White Federal HIV Care	93.917	31-1334820	212,926	-
Substance Abuse and Mental Health Services Administration: Direct: Health Center Cluster Integrating Care for Better Health in Appalachian Ohio	93.243	N/A	523,275	-
Passed through Child and Family Collaborative of Ohio LLC: Temporary Assistance for Needy Families	93.558	1510HFOST	344,729	-
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Board: Mobile Opiate Response Teams	93.788	31-6400067	200,000	-
Passed through the Coalition on Homelessness and Housing in Ohio (COHHIO) Ohio SOAR	93.788	31-1189029	87,646	-
Total U.S. Department of Health and Human Services			4,456,228	-
U.S. Department of Job and Family Services: Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Board: Project for Assistance in Transition from Homelessness (PATH)	93.150	31-6400067	159,652	-

*See Independent Auditor's Report.*

# SOUTHEAST, INC. AND AFFILIATES

## Schedule of Expenditures of Federal Awards (continued)

### For the Fiscal Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through To Subrecipients
U.S. Department of Housing and Urban Development: Direct: Project Rental Assistance Contract (FHA Project Number 043-EH060)	93.778	N/A	\$ 15,933	\$ -
Direct: Project Rental Assistance Contract (FHA Project Number 043-EH219)	14.157	N/A	49,314	-
Direct: Loan (FHA Project Number 043-EH060)	14.157	N/A	81,196	-
Direct: Loan (FHA Project Number 043-EH219)	93.778	N/A	198,350	-
Passed through Community Housing Network: Transitional Housing	14.235	38-3372734	214,851	-
Total U.S. Department of Housing and Urban Development			<u>559,644</u>	<u>-</u>
Social Security Administration: Direct: Work Incentives Planning and Assistance (WIPA)	96.008	N/A	223,269	-
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 5,398,793</u></u>	<u><u>\$ -</u></u>

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of Southeast, Inc. and Affiliates, under programs of the federal government for the year ended June 30, 2019 in accordance with the requirements of Title 2 U. S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southeast, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southeast, Inc. and Affiliates.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Southeast, Inc. and Affiliates has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

**Note 3. Federal Loan Programs**

The federal loan programs listed subsequently are administered directly by U.S. Department of Housing and Urban Development and balances and transactions relating to the programs are included in the U.S. Department of Housing and Urban Development's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding as June 30, 2019 consist of:

CFDA Number	Program Name	Outstanding Balance at 6/30/2019
14.157	FHA Project Number 043-EH060	\$ 67,223
93.778	FHA Project Number 043-EH219	\$ 185,201

*See Independent Auditor's Report.*

# SOUTHEAST, INC. AND AFFILIATES

## ADAMH Key Performance Indicators

For the Fiscal Year Ended June 30, 2019

(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

			2019	2018
<b>Current Ratio</b>				
<u>Current assets</u>	21,847,141	=	<b>4.26</b>	5.50
Current liabilities	5,122,735			
<b>Debt to Equity Ratio</b>				
<u>Total liabilities</u>	8,754,477	=	<b>0.41</b>	0.27
Total net assets	21,223,512			
<b>Administrative Costs to Expenses</b>				
<u>Total administrative costs</u>	3,215,542	=	<b>0.07</b>	0.07
Total expenses	44,405,803			
<b>Revenue to Expenses</b>				
<u>Total revenue</u>	44,078,422	=	<b>0.99</b>	0.96
Total expenses	44,405,803			
<b>Fund Balance Reserve</b>				
<u>Total net assets</u>	21,223,512	=	<b>5.74</b>	6.29
Total expenses / 12	3,700,484			
<b>Percent of Funding From Franklin County ADAMH Board</b>				
<u>Total revenue from Franklin County ADAMH</u>	10,741,600	=	<b>0.24</b>	0.21
Total revenue	44,078,422			
<b>Cash to Average Days Expenses</b>				
<u>Cash</u>	1,856,493	=	<b>15.26</b>	32.65
Expenses / 365 days	121,660			

*See Independent Auditor's Report.*

# SOUTHEAST, INC. AND AFFILIATES

## Schedule of Ohio Development Services Agency For the Fiscal Year Ended June 30, 2019

Division Name, Grant Name	Grant Number	Beginning Balance	2019 Cash Receipts	2019 Expenditures	Ending Receivable Balance
<b>Office of Housing and Community Partnerships</b>					
ESG Shelter (Men's & Women's)	N-L-12-7OZ-1	\$ 140,444	\$ 180,743	\$ 274,663	\$ 234,364
<b>GRAND TOTAL</b>		<b>\$ 140,444</b>	<b>\$ 180,743</b>	<b>\$ 274,663</b>	<b>\$ 234,364</b>

**Presentation:**

This schedule is required by the Ohio Development Services Agency to be included in the annual consolidated financial statements reporting package in accordance with grant funding contracts.

*See Independent Auditor's Report.*

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To the Board of Directors  
Southeast, Inc. and Affiliates  
Columbus, Ohio

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Southeast, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statement of activities and changes in net assets, functional expenses and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 26, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Southeast, Inc. and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Southeast, Inc. and Affiliates  
Page 2

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Southeast, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*GBQ Partners LLC*

Columbus, Ohio  
February 26, 2020



To the Board of Directors  
Southeast, Inc. and Affiliates  
Columbus, Ohio

**Independent Auditor's Report on Compliance for Each Major  
Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

***Report on Compliance for Each Major Federal Program***

We have audited Southeast, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southeast, Inc. and Affiliates' major federal programs for the fiscal year ended June 30, 2019. Southeast, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Southeast, Inc. and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southeast, Inc. and Affiliates' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Southeast, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019.

***Report on Internal Control Over Compliance***

Management of Southeast, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southeast, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*GBQ Partners LLC*

# SOUTHEAST, INC. AND AFFILIATES

## Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2019



### Section I – Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes                        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes                        X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes                        X   No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes                        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes                        X   None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes                        X   No

Identification of major federal programs:

CFDA Number

Name of Federal Program

93.224

U.S. Department of Health and Human Services;  
Health Resources and Service Administration (HRSA);  
Health Center Cluster

Dollar threshold used to distinguish between Type A and Type B programs?

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes                        X   No

*See Independent Auditor’s Report.*

**SOUTHEAST, INC. AND AFFILIATES**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Fiscal Year Ended June 30, 2019**

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**Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards***

None.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**Section IV – Summary of Status of Prior Year Findings**

**Prior Year Finding Number: 2018-001**

**Fiscal Year in Which the Finding Initially Occurred:** 2018

**Federal Program, CFDA Number and Name:** Not applicable – financial statement finding

**Original Finding Description:** The Organization identified fraudulent disbursements that occurred primarily during the year ended June 30, 2018.

**Status/Partial Corrective Action (as applicable):** Fully corrected

**Planned Corrective Action:** Not applicable, finding has been fully completed

**Prior Year Finding Number: 2018-002**

**Fiscal Year in Which the Finding Initially Occurred:** 2018

**Federal Program, CFDA Number and Name:**

U.S. Department of Health and Human Services

Ryan White HIV Care – Part A, CFDA 93.914

Award number: Ordinance No. 0493 – 2017, PO # PO010033-1

Award year: March 1, 2017 – February 28, 2018

**Original Finding Description:** The Organization discovered there was a significant fraud scheme committed by the Southeast program manager. Invoices were being generated for false tenants, sent to the Organization for disbursement, and passed onto the grantor for reimbursement. The fraud scheme involved collusion with several outside parties. During testing of activities allowed or un-allowed, allowable costs and activities charged to the grant, and eligibility, the Organization charged the Ryan White Part A program for costs that were fraudulent in nature and not in compliance with these direct and material compliance requirements.

**Status/Partial Corrective Action (as applicable):** Fully corrected; the Program has also ended for the Organization and was not renewed.

**Planned Corrective Action:** Not applicable, finding has been fully completed

*See Independent Auditor's Report.*